



**TOPICS:**

Market Risk

**SOURCE:**

European Securities and Markets Authority

## ESMA Launches a Call for Evidence on the Structure of European Equity Markets

- This “Call for Evidence” provides a **data-driven assessment of trading dynamics in EU equity markets**. ESMA invites stakeholders’ views by **30 June 2026** and will issue a feedback statement in the second half of 2026.
- The document analyses trading activity between 2022–2025 using MiFIR transaction data, focusing on how liquidity is distributed across execution venues and mechanisms. A key distinction is made between **on-book trading** (e.g., regulated markets and multilateral trading facilities) and **off-book trading** (e.g., systematic internalisers (SIs) and OTC transactions), as well as between **addressable** and **non-addressable liquidity** - the former representing trading opportunities accessible to market participants.
- A central finding is the **decline in lit continuous order book trading**, traditionally critical for price formation, particularly on regulated markets. This decline has been offset by growth in alternative mechanisms, including **closing auctions, frequent batch auctions (FBAs) and SI trading**. Despite these structural shifts, the overall share of addressable liquidity has remained relatively stable at approximately 85–90%, and on-book trading continues to represent around 75–80% of turnover.
- The report highlights several **emerging trends**. First, **periodic auctions**, especially closing auctions, are gaining importance as key price formation tools and liquidity concentration points. Second, **FBAs have doubled their market share**, raising questions about their transparency and role in price discovery. Third, **SI activity has increased significantly**, with a growing share of off-book trading, potentially influenced by regulatory changes such as more flexible tick-size rules. Meanwhile, **dark trading remains limited** (around 4–5% of volume), with no immediate evidence of structural expansion following the introduction of the Single Volume Cap.
- The analysis also identifies **market fragmentation and increased reliance on reference prices** as notable developments, which may have implications for price formation quality and market accessibility. While diversity in execution methods can enhance competition and flexibility, ESMA notes potential risks if less transparent mechanisms continue to expand.

